

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Garfield Township	County Newaygo
Fiscal Year End 3/31/07	Opinion Date 8/15/07	Date Audit Report Submitted to State 8/23/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.


We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☒ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Hendon & Slate, PC		Telephone Number 231-924-6890	
Street Address 711 W Main Street		City Fremont	State Zip MI 49412
Authorizing CPA Signature 	Printed Name Jodi DeKuiper		License Number 1101021180

**GARFIELD TOWNSHIP
NEWAYGO COUNTY, MICHIGAN**

FINANCIAL STATEMENTS

March 31, 2007

TABLE OF CONTENTS

	<u>Page</u>
List of Principal Individuals	ii
Independent Auditor's Report	1 - 2
Management's Discussion and Analysis	3 - 5
BASIC FINANCIAL STATEMENTS	
Governmental Wide Statement of Net Assets	6
Governmental Wide Statement of Activities	7
Government Fund Balance Sheet	8
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	9
Governmental Fund Statements of Revenues, Expenditures, and Changes in Fund Balance	10
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	11
Statement of Net Assets - Fiduciary Funds	12
Notes to the Financial Statements	13-21
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparisons for Major Funds:	
General Fund	22
Road Fund	23
Fire Fund	24
SUPPLEMENTAL INFORMATION:	
Budgetary Comparisons for Non-Major Weed Fund	25
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	26-29

GARFIELD TOWNSHIP

Board Members

	<u>Position</u>
George Suchy	Supervisor
Jill Vandenberg	Treasurer
Arlene Grabill	Clerk
Robert Kinniburgh	Trustee
Michael Wallace	Trustee

H&S Companies

Hendon & Slate, PC
Certified Public Accountants
Business Consultants

August 14, 2007

Township Board
Garfield Township
Newaygo County
Newaygo, MI 49337

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Garfield Township as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Townships' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free from material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Garfield Township, Michigan as of March 31, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 through 5 and 22 through 24, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Grand Rapids
2025 East Beltline SE
Suite 208
Grand Rapids, MI 49546
Phone (616) 954-3995
Fax (616) 954-3990

Muskegon
4985 South Harvey Street
Muskegon, MI 49444
Phone (231) 798-1040
Fax (231)-798-8409

Fremont
711 West Main Street
Fremont, MI 49412
Phone (231) 924-6890
Fax (231) 924-4088
Toll Free (800) 924-6891

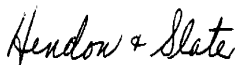
Montague
4538 Dowling Street
Montague, MI 49437
Phone (231) 893-6772

Hart
1550 N. Industrial Park Drive
Hart, MI 49420
Phone (231) 873-5611
Fax (231) 873-7033

www.hscompanies.com

As discussed in Note A, the Township adopted Governmental Accounting Standards Board Statement Number 34 during the current year. As a result, these financial statements present entirely new financial information. Governmental activities report information by individually significant fund, as well as in total on the full accrual basis of accounting.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Garfield Township, Michigan's basic financial statements. The introductory section, combining and individual non major fund statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

A handwritten signature in cursive script that reads "Hendon & Slate".

Hendon & Slate, P.C.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

Using this Annual Report

This annual report consists of a series of financial statements. The Governmental Wide Statement of Net Assets and the Government Wide Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Township as a Whole

The Township's combined net assets increased 9.3% from a year ago - increasing from approximately \$1.26 million to approximately \$1.31 million. This was the result of road improvements in the current year which were partially paid in the prior year. Under the full accrual method of accounting, the costs were reported in the current year expenses. In a condensed format, the table below shows key financial information.

	Governmental Activities <u>3/31/2007</u>	Governmental Activities <u>3/31/2006</u>
Current Assets	\$ 1,089,659	\$ 965,481
Noncurrent Assets	<u>308,899</u>	<u>318,198</u>
Total Assets	<u>\$ 1,398,558</u>	<u>\$ 1,283,679</u>
Other Liabilities	<u>16,960</u>	<u>19,411</u>
Total Liabilities	<u>\$ 16,960</u>	<u>\$ 19,411</u>
Net Assets		
Invested in Capital Assets-Net of Debt	\$ 308,899	\$ 318,198
Unrestricted	<u>1,072,699</u>	<u>946,070</u>
Total Net Assets	<u>\$ 1,381,598</u>	<u>\$ 1,264,268</u>

Unrestricted net assets - the part of net assets that can be used to finance day to day operating, increased by \$126,629 for the governmental activities. This represents an increase of approximately 13.38%.

	Governmental Activities <u>3/31/2007</u>	Governmental Activities <u>3/31/2006</u>
Program Revenues		
Charges for Services	\$ 6,977	\$ 9,935
General Revenues		
Property Taxes	386,322	358,411
State Shared Revenues	173,419	175,265
Investment Earnings	21,567	11,437
Refunds & Reimbursements	27,680	51,897
Miscellaneous	<u>88</u>	<u>44</u>
Total Revenues	\$ 616,053	\$ 606,989

Management's Discussion and Analysis (Continued)

Program Expenses		
General Government	149,566	139,105
Public Safety	64,783	67,518
Public Works	191,704	374,694
Community & Economic Development	25,472	21,768
Other	53,426	50,775
Unallocated Depreciation	13,772	12,775
Capital Outlay	-	2,138
	<hr/>	<hr/>
Total Expenses	498,723	668,773
	<hr/>	<hr/>
Change in Net Assets	\$ 117,330	\$ (61,784)
	<hr/>	<hr/>

At \$1,381,598, the Township's total net assets continue to remain healthy.

Governmental Activities

The Township's total governmental revenues increased by \$9,064. The following revenues increased: Property Taxes - increased \$27,911 and Investment Earnings - increased \$10,130. These were offset by a decrease in Refunds & Reimbursements and Charges for Services.

Expenses decreased by about \$170,000 from the prior year. The majority of the decrease was for road expenditures.

Business-Type Activities

The Township had no business type activities.

The Township's Funds

Our analysis of the Township's major funds follows the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2007 include the General Fund, the Fire Fund, and the Road Fund. All funds increased their respective fund balances during the year ended March 31, 2007.

General Fund Budgetary Highlights

Over the course of the year, the Township Board found it necessary to amend the budget to take into account events during the year. The Board over-expended on several activities as reported in the notes to the financial statements.

Capital Asset and Debt Administration

As of March 31, 2007, the Township had \$406,8252 invested in a broad range of capital assets, including land, buildings, and furniture and equipment. In addition, the Township has invested significantly in roads within the Township. These assets are not reported in the Township's financial statements because of Michigan law, which makes these roads property of the Newaygo County Road Commission (along with the responsibility to maintain them).

Management's Discussion & Analysis (Continued)

Economic Factors and Next Year's Budgets and Rates

The Township is not expecting any changes in either their revenues or expenditures for the upcoming fiscal year. Consequently, they have made no changes to the 2007-08 budget.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

GARFIELD TOWNSHIP

Government Wide Statement on Net Assets March 31, 2007

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 1,031,369
Accounts Receivable-Fiduciary Funds	10,019
Taxes Receivable	34,042
Due From Other Governmental Units	14,229
Property and Equipment	406,826
Accumulated Depreciation	<u>(97,927)</u>
Total Assets	1,398,558
LIABILITIES	
Due to Other Units	<u>16,960</u>
Total Liabilities	<u>16,960</u>
NET ASSETS	
Invested in Capital Assets	
Net of Related Debt	308,899
Unrestricted	<u>1,072,699</u>
Total Net Assets	<u><u>\$ 1,381,598</u></u>

The Notes to the Financial Statements are an Integral Part of this Statement.

GARFIELD TOWNSHIP

Government Wide Statement of Activities For the Fiscal Year March 31, 2007

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues Charges for Services</u>	<u>Net (Expenses) Revenue and Changes in Net Assets Governmental Activities</u>
Primary Government			
General Government	\$ 149,566	\$ -	\$ (149,566)
Public Safety	64,783	-	(64,783)
Public Works	191,704	-	(191,704)
Community & Economic Dev.	25,472	(6,977)	(18,495)
Other	53,426	-	(53,426)
Capital Outlay	-	-	-
Unallocated Depreciation	13,772	-	(13,772)
Total Primary Government	<u>\$ 498,723</u>	<u>\$ (6,977)</u>	<u>(491,746)</u>

General Revenues

Property Taxes - Levied for General Purpose	323,101
Property Taxes - Levied for Public Safety	63,221
State Sources	173,419
Interest Income	21,567
Refunds & Reimbursements	27,680
Miscellaneous	88
Total General Revenues	<u>609,076</u>
Change in Net Assets	117,330
Net Assets - April 1, 2006	<u>1,264,268</u>
Net Assets - March 31, 2007	<u>\$ 1,381,598</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

GARFIELD TOWNSHIP

Governmental Fund Balance Sheet March 31, 2007

	General Fund	Roads Fund	Fire Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Investments	\$ 668,180	\$ 317,037	\$ -	\$ 46,152	\$ 1,031,369
Taxes Receivable	7,238	18,473	6,049	2,282	34,042
Due from County	9,883	-	-	-	9,883
Due from Other Governments	4,346	-	-	-	4,346
Due from Other Funds	9,843	176	909	-	10,928
Total Assets	<u>\$ 699,490</u>	<u>\$ 335,686</u>	<u>\$ 6,958</u>	<u>\$ 48,434</u>	<u>\$ 1,090,568</u>
LIABILITIES					
Due to Other Funds	\$ 909	\$ -	\$ -	\$ -	\$ 909
Due to Other Governments	13,031	-	3,929	-	16,960
Total Liabilities	13,940	-	3,929	-	17,869
FUND BALANCES					
Unreserved	685,550	335,686	3,029	48,434	1,072,699
Total Fund Balance	685,550	335,686	3,029	48,434	1,072,699
Total Liabilities and Fund Balance	<u>\$ 699,490</u>	<u>\$ 335,686</u>	<u>\$ 6,958</u>	<u>\$ 48,434</u>	<u>\$ 1,090,568</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

GARFIELD TOWNSHIP

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets For the Fiscal Year Ended March 31, 2007

Total Governmental Fund Balances	\$ 1,072,699
----------------------------------	--------------

Total net assets reported for governmental activities in the statement of net assets are different from the amount reported as total governmental funds fund balance because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net assets:

Governmental Capital Asset	406,826
Governmental Accumulated Depreciation	<u>(97,927)</u>

Total Net Assets - Governmental Activities:	<u><u>\$ 1,381,598</u></u>
---	----------------------------

The Notes to the Financial Statements are an Integral Part of this Statement.

GARFIELD TOWNSHIP

Governmental Fund Statements of Revenue, Expenditures and Changes in Fund Balance For the Fiscal Year Ended March 31, 2007

	General Fund	Road Fund	Fire Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
Property Taxes	\$ 79,719	\$ 195,134	\$ 63,221	\$ 48,248	\$ 386,322
State Shared Revenue	173,419	-	-	-	173,419
Licenses	3,510	-	-	-	3,510
Charges for Services	3,467	-	-	-	3,467
Interest	20,552	829	-	186	21,567
Refunds and Reimbursements	17,171	11,433	-	-	28,604
Other	88	-	-	-	88
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	297,926	207,396	63,221	48,434	616,977
EXPENDITURES					
General Government	154,038	-	-	-	154,038
Public Safety	5,515	-	60,192	-	65,707
Public Works	6,504	185,200	-	-	191,704
Community & Economic Development	25,472	-	-	-	25,472
Other	8,899	-	-	44,527	53,426
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	200,428	185,200	60,192	44,527	490,347
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Excess Revenue Over(Under) Expenditures	97,498	22,196	3,029	3,907	126,630
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Fund Balance - April 1, 2006	588,052	313,490	-	44,527	946,069
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Fund Balance - March 31, 2007	\$ 685,550	335,686	3,029	48,434	\$ 1,072,699
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The Notes to the Financial Statements are an Integral Part of this Statement.

GARFIELD TOWNSHIP

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Fiscal Year Ended March 31, 2007

Net Change in Fund Balances - Total Governmental Funds	\$ 126,630
--	------------

Amounts reported for governmental activities in the statement of activities are different because:

Prepaid expenses reflect amounts that will be paid in a future period

Prior Year Prepaid Expense	-	
Current Year Prepaid Expense	-	-

The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expense

Capital outlay reported in governmental fund statements	4,473	
Capital outlay reported as expenses in statement of activities	-	
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (decrease) in assets	4,473	
Depreciation expense reported in the statement of activities	(13,772)	(9,299)

Changes in Net Assets - Governmental Activities	<u>\$ 117,331</u>
---	-------------------

The Notes to the Financial Statements are an Integral Part of this Statement.

GARFIELD TOWNSHIP

Statement of Net Assets - Fiduciary Funds March 31, 2007

	<u>Tax Fund</u>
ASSETS	
Cash and Investments	\$ 12,082
LIABILITIES	
Due to Other Funds	10,019
Due to Other Units	<u>2,063</u>
Total Liabilities	<u>12,082</u>
NET ASSETS	
Unreserved	<u><u>\$ -</u></u>

The Notes to the Financial Statements are an Integral Part of this Statement.

GARFIELD TOWNSHIP

Notes to the Financial Statements For the Year Ended March 31, 2007

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Garfield Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant policies used by Garfield Township.

A. Reporting Entity

The reporting entity is a general law township as defined by the laws of the State of Michigan. The Township is governed by a Supervisor and Township Board.

As defined by Governmental Accounting Standards Board (GASB) No. 14, the financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The primary government has financial accountability if it:

1. Appoints a voting majority of the organization's board, and, has the ability to impose its will on the organization; or
2. There is a potential for the component unit to provide certain financial benefits to, or impose certain financial burdens on, the primary government.

Based on this criteria, there are no other entities included in this report.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary

activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is when they become both measurable and available to finance expenditures of the fiscal period.

1. State Shared Revenue Receivable

State Shared Revenue is distributed in six installments per year. Often the last payment has not been received by March 31; therefore, a receivable is recorded for this amount. The final payment of \$27,675 was received in March 2007, thus no receivable is recorded.

2. Property Taxes Receivable

The Township property tax is levied on each December 1st on the taxable valuation of the property (as defined by state statutes) located in the Township as of the preceding December 31st. The taxes are due on September 14th and February 14th, with the final collection date of February 28th before they are added to the County tax rolls. The 2006 delinquent taxes of \$34,042 were received in May 2007, thus recorded as receivable.

The 2006 taxable valuation of the Township totaled \$66,677,849 on which ad valorem taxes levied consisted of 1.0 mills for general operating and 3.0 mills for road operations. These amounts are recognized in the respective general and special revenue fund financial statements as current tax revenue. The Township also records special assessments for fire protection and weed control in special revenue funds.

The government reports the following major governmental funds:

The General fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Road Fund accounts for property tax revenues that are restricted for repair and maintenance of Township Roads.

The Fire fund accounts for the resources of property tax revenue and charges for services that are restricted for fire protection purposes.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue.

D. Assets, Liabilities, and Fund Balance

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is generally allocated to each fund based on the cash balance in each fund.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds".

Inventories and Prepaid Items - Payments for inventorable types of supplies are recorded as expenditures at the time of purchase. Normally expenditures are not divided between years by the recording of prepaid expenses. There were no material inventories at year end.

Capital Assets - Capital assets, which include property, plant and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$3,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
General Equipment	5 to 10 years
Fire Trucks	15 to 20 years

Salvage value is estimated at 10% of cost

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE B STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. The Township approves its originally adopted budget by the end of the current fiscal year. Amendments are approved periodically during the year.

The budget document presents information by fund, activity, and line items. The legal level of budgetary control adopted by the governing body is the activity level.

The Township does not utilize encumbrance accounting.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the Local Governmental Unit incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>Budget Item</u>	<u>Budget Appropriation</u>	<u>Actual Expenditures</u>
General Fund - Electrical Inspector	\$ -	\$ 3,267
Road Fund - Contracted Services	141,000	184,816
Fire Fund - Contracted Services	58,500	60,192

NOTE C DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township Board has designated six banks for the deposit of Local Unit funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government, bank accounts and CD's, bankers' acceptances of United States banks, and mutual funds under the Investment Company Act of 1940, but not the remainder of State statutory authority as listed above.

Notes to the Financial Statements (continued)

The Township's deposits and investment policy are in accordance with statutory authority.

The Township's deposits were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash and Cash Equivalents	\$1,031,369	\$ 12,082	\$1,043,451

The bank balance of the Township's deposits is \$1,043,682 of which \$200,000 is covered by National Credit Union Share Insurance, and \$843,682 is uninsured.

The Township believes that due to the dollar amounts of cash deposits and the limits of the NCUSIF, it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Depositories actively used by the Township during the year are detailed as follows:

1. Gerber Federal Credit Union

NOTE D RECEIVABLES

Receivables as of year-end for the Township's individual major and nonmajor funds, and the fiduciary funds in the aggregate, including the applicable allowances for uncollected accounts, are as follows:

	General Fund	Fire Fund	Road Fund	Weed Fund	Total
Property Taxes	\$ 7,238	\$ 6,049	\$18,473	\$ 2,282	\$ 34,042
Other Governmental Units	14,229	-	-	-	14,229
Fiduciary Funds	9,843	-	176	-	10,019
Less: Allowance for Uncollectibles	-	-	-	-	-
Net Receivables	<u>\$31,310</u>	<u>\$ 6,049</u>	<u>\$18,649</u>	<u>\$ 2,282</u>	<u>\$ 58,290</u>

NOTE E CAPITAL ASSETS

Capital asset activity of the primary government of the current year was as follows:

Governmental Activities	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets not being depreciated				
Land and Acquisition Costs	\$ 71,019	\$ 4,473	\$ -	\$ 75,492
Capital Assets Being Depreciated				
Land Improvements	19,452	-	-	19,452
Building & Improvements	257,082	-	-	257,082
Furniture & Equipment	54,799	-	-	54,799
Subtotal	331,333	-	-	331,333
Less Accumulated Depreciation for				
Land Improvements	5,519	1,167	-	6,686
Building & Improvements	62,286	6,642	-	68,928
Furniture & Equipment	16,350	5,963	-	22,313
Subtotal	84,155	13,772	-	97,927
Net Capital Assets being depreciated	247,178	(13,772)	-	233,406
Total Governmental Activities Capital Capital Assets - Net of Depreciation	<u>\$ 318,197</u>	<u>\$ (9,299)</u>	<u>\$ -</u>	<u>\$ 308,898</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities	
Unallocated	<u>\$ 13,772</u>

NOTE F INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

<u>Receivable Fund (Due From)</u>		<u>Payable Fund (Due To)</u>	
General Fund	\$ 9,843	Trust and Agency	\$ 10,019
Fire Fund	909	General Fund	909
Road Fund	176		-
	<u>\$ 10,928</u>		<u>\$ 10,928</u>

Money owed to the Fire Fund is due to taxes collected in excess of the Fremont Fire Contract. The remaining amount due Road and General Funds from the Trust and Agency is for property taxes collected not yet disbursed. All amounts are expected to be repaid within one year.

Notes to the Financial Statements (continued)

There were no fund transfers for the fiscal year ended March 31, 2007.

NOTE G JOINTLY GOVERNED ENTITY

The Township is a member of the Chain of Lakes Area Utility Authority (Authority). The Township appoints two members to the Authority's governing board, which then approves the annual budget. The purpose of the Authority is to acquire, own, construct and operate a sewage disposal system. The Authority is governed by a Board of Trustees containing six members. The participating communities are Brooks, Everett and Garfield Townships. The Authority has outstanding debt of \$6,050,000. The aforementioned townships have guaranteed the debt of the Authority in the event that the Authority is unable to make the debt payments. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements can be obtained at Brooks Township, 490 Quarterline, Newaygo, MI 49337.

Special assessments are collected by the Township and remitted to the Authority. As of March 31, 2007 the Township was to receive \$9,883 from the County for delinquent special assessments. Upon receipt of this collection, the Township will remit the same amount to the Authority.

NOTE H PERMITS

Public Act 245 of 1999 (The Stille-Derossett-Hale Single State Construction Code Act) restricts the use of fees collected under this Act for the operation of the enforcing agency and/or the Construction Board of Appeals effective January 1, 2000. The following is the required accounting for such fees:

Beginning Excess Costs Over Fees Collected	\$ (401)
Fees Collected	3,467
Wages, Professional Fees and Other Expenses	<u>(3,267)</u>
Excess Costs Over Fees Collected	<u>\$ (201)</u>

NOTE I EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Defined Contribution Pension Plan

The Township participates in a SEP IRA plan through AIM Investments. All elected officials are eligible. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the Township Board, the plan is funded by participants to the extent they elect to defer their compensation into the plan, and by a matching contribution from the Township of 10% of covered employee wages. The Township's contributions for each employee are fully vested immediately upon deposit of the contribution by the Township. The Township's current year pension cost was \$5,761. Covered payroll for the current year is \$57,673 and total payroll of the Township is \$87,886.

Notes to the Financial Statements (continued)

NOTE J RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets and omissions; and natural disasters for which the Township carries commercial insurance. Liabilities in excess of insurance coverage, if any, are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

NOTE K SUBSEQUENT EVENTS

On July 13, 2007, Brooks Everett and Garfield Townships entered into a loan agreement with the Chain of Lakes Authority. The principal amount of the loan to the Chain of Lakes Authority is \$127,242 at 4.5% interest per annum. The loan is scheduled to be repaid to the townships in five annual installments of \$28,894.71. Garfield Township's portion of this loan is \$72,922.51 or 57.31%.

GARFIELD TOWNSHIP

Required Supplementary Information Budgetary Comparison Schedule for the General Fund For the Year Ended March 31, 2007

	Budgeted Amounts			Variance to
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Beginning Year Fund Balance	\$ 566,276	\$ 566,276	\$ 588,052	\$ 21,776
Resources (Inflows)				
Property Taxes	60,000	60,000	79,719	19,719
State Shared Revenue	170,000	170,000	173,419	3,419
Licenses	5,500	5,500	3,510	(1,990)
Charges for Services	-	-	3,467	3,467
Interest	3,900	3,900	20,552	16,652
Refunds and Reimbursements	200	200	17,171	16,971
Other	<u>-</u>	<u>-</u>	<u>88</u>	<u>88</u>
Amounts Available for Appropriation	805,876	805,876	885,978	80,102
Charges to Appropriations (Outflows)				
General Government	141,200	161,454	154,038	7,416
Public Safety	23,900	21,900	5,515	16,385
Public Works	12,900	7,868	6,504	1,364
Community & Economic Development	34,500	30,750	25,472	5,278
Other	<u>27,100</u>	<u>18,551</u>	<u>8,899</u>	<u>9,652</u>
Total Charges to Appropriation	<u>239,600</u>	<u>240,523</u>	<u>200,428</u>	<u>40,095</u>
Budgetary Fund Balance-March 31, 2007	<u><u>\$ 566,276</u></u>	<u><u>\$ 565,353</u></u>	<u><u>\$ 685,550</u></u>	<u><u>\$ 120,197</u></u>

GARFIELD TOWNSHIP

Required Supplementary Information
Budgetary Comparison Schedule for the Road Fund
For the Year Ended March 31, 2007

	Budgeted Amounts			Variance to
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Beginning Year Fund Balance	\$ 160,062	\$ 160,062	\$ 313,490	\$ 153,428
Resources (Inflows)				
Property Taxes	141,000	141,000	195,134	54,134
Interest	-	-	829	829
Refunds and Reimbursements	<u>-</u>	<u>-</u>	<u>11,433</u>	<u>11,433</u>
Amounts Available for Appropriation	301,062	301,062	520,886	219,824
Charges to Appropriations (Outflows)				
Contracted Services	141,000	141,000	184,816	(43,816)
Other	<u>-</u>	<u>-</u>	<u>384</u>	<u>(384)</u>
Total Charges to Appropriation	<u>141,000</u>	<u>141,000</u>	<u>185,200</u>	<u>(44,200)</u>
Budgetary Fund Balance-March 31, 2007	<u><u>\$ 160,062</u></u>	<u><u>\$ 160,062</u></u>	<u><u>\$ 335,686</u></u>	<u><u>\$ 175,624</u></u>

GARFIELD TOWNSHIP

Required Supplementary Information
Budgetary Comparison Schedule for the Fire Fund
For the Year Ended March 31, 2007

	Budgeted Amounts			Variance to
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Beginning Year Fund Balance	\$ -	\$ -	\$ -	\$ -
Resources (Inflows)				
Property Taxes	58,500	58,500	63,221	4,721
Other	<u> </u>	<u> </u>	<u> </u>	<u>-</u>
Amounts Available for Appropriation	58,500	58,500	63,221	4,721
Charges to Appropriations (Outflows)				
Fire Protection Services	58,500	58,500	60,192	(1,692)
Other	<u> </u>	<u> </u>	<u> </u>	<u>-</u>
Total Charges to Appropriation	<u>58,500</u>	<u>58,500</u>	<u>60,192</u>	<u>(1,692)</u>
Budgetary Fund Balance-March 31, 2007	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,029</u>	<u>\$ 3,029</u>

GARFIELD TOWNSHIP

Supplemental Information - Non-Major Funds
Budgetary Comparison Schedule for the Weed Fund
For the Year Ended March 31, 2007

	Budgeted Amounts			Variance to
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Beginning Year Fund Balance	\$ 42,575	\$ 42,575	\$ 44,527	\$ 1,952
Resources (Inflows)				
Property Taxes	45,000	45,000	48,248	3,248
Interest	<u>-</u>	<u>-</u>	<u>186</u>	<u>186</u>
Amounts Available for Appropriation	87,575	87,575	92,961	5,386
Charges to Appropriations (Outflows)				
Contracted Services	45,000	45,000	44,527	473
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Charges to Appropriation	<u>45,000</u>	<u>45,000</u>	<u>44,527</u>	<u>473</u>
Budgetary Fund Balance-March 31, 2007	<u><u>\$ 42,575</u></u>	<u><u>\$ 42,575</u></u>	<u><u>\$ 48,434</u></u>	<u><u>\$ 5,859</u></u>

GARFIELD TOWNSHIP

Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual - General Fund
For the Year Ended March 31, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
REVENUES			
Property Taxes-Current	\$ 49,000	\$ 53,686	\$ 4,686
Penalties and Interest on Taxes	1,000	1,346	346
Collection Fees-PTAF	10,000	24,687	14,687
Licenses and Permits	5,500	3,510	(1,990)
State Shared Revenue	170,000	173,419	3,419
Charges for Services-Inspections	-	3,467	3,467
Interest	3,900	20,552	16,652
Refunds and Reimbursements	200	17,171	16,971
Other	-	88	88
	<hr/>	<hr/>	<hr/>
Total Revenues	239,600	297,926	58,326
 EXPENDITURES			
General Government			
Township Board			
Salaries and Wages		7,650	
Fringe Benefits		5,761	
Professional Services		11,769	
Supplies and Postage		390	
Printing and Publishing		642	
Workers Compensation		1,232	
Memberships and Dues		1,400	
Contracted Services		17,404	
Miscellaneous		2,468	
		<hr/>	
	49,231	48,716	515
 Supervisor			
Salaries and Wages	11,250	10,723	527
 Elections			
Salaries and Wages		200	
Supplies		852	
Contracted Services		3,385	
Transportation		323	
Miscellaneous		367	
		<hr/>	
	\$ 5,800	5,127	\$ 673

Statement of Revenues, Expenditures and
Changes in fund Balance - General Fund (continued)

Clerk			
Salaries and Wages		\$ 12,419	
Supplies		68	
Transportation		<u>99</u>	
	\$ 13,800	12,586	\$ 1,214
Treasurer			
Salaries and Wages		15,256	
Supplies		682	
Communication		5,317	
Tax Roll Statement Preparation		197	
Transportation		<u>550</u>	
	22,700	22,002	698
Assessor			
Salaries and Wages	14,000	14,000	-
Township Hall and Grounds			
Supplies		1,726	
Repairs and Maintenance		3,284	
Professional Services		5,162	
Communications		4,566	
Printing and Publishing		22	
Insurance		6,269	
Utilities		2,960	
Snow, Lawn, & Cleaning		2,871	
Miscellaneous		8,747	
Capital Outlay		<u>4,473</u>	
	43,473	40,080	3,393
Board of Review & Appeals			
Salaries and Wages		576	
Supplies		78	
Printing and Publishing		<u>150</u>	
	<u>1,200</u>	<u>804</u>	<u>396</u>
Total General Government	\$ 161,454	\$ 154,038	\$ 7,416

Statement of Revenues, Expenditures and
Changes in fund Balance - General Fund (continued)

Public Safety

Fire Department

Salaries and Wages

\$ 330

Contracted Services

1,918

\$ 21,900

2,248

\$ 19,652

Electrical Inspection

Supplies

395

Professional Services

2,872

-

3,267

(3,267)

Total Public Safety

21,900

5,515

16,385

Public Works

County Drains

1,968

1,968

-

Roads

Salaries and Wages

4,150

Contracted Services

52

Miscellaneous

29

5,400

4,231

1,169

Street Lighting

500

305

195

Total Public Works

7,868

6,504

1,364

Community and Economic Development

Zoning Board

Salaries and Wages

7,053

Supplies

457

Professional Services

688

Transportation

13

Printing and Publishing

1,070

\$ 12,500

\$ 9,281

\$ 3,219

Zoning Administrator

Salaries and Wages

\$ 14,000

Transportation

205

\$ 14,250

14,205

\$ 45

Statement of Revenues, Expenditures and
Changes in fund Balance - General Fund (continued)

Zoning Board of Appeals			
Salaries and Wages		1,530	
Supplies		82	
Professional Services		200	
Printing and Publishing		174	
	<u>4,000</u>	<u>1,986</u>	<u>2,014</u>
Total Community & Economic Development	30,750	25,472	5,278
Other Expenditures			
Payroll Taxes	9,900	6,679	3,221
Contingencies and Other	8,651	2,220	6,431
	<u>18,551</u>	<u>8,899</u>	<u>9,652</u>
Total Expenditures	<u>240,523</u>	<u>200,428</u>	<u>40,095</u>
Excess Revenues Over (Under) Expenditures	(923)	97,498	98,421
Fund Balance - March 31, 2006	<u>822,709</u>	<u>588,052</u>	<u>(234,657)</u>
Fund Balance - March 31, 2007	<u>\$ 821,786</u>	<u>\$ 685,550</u>	<u>\$ (136,236)</u>

H&S Companies

Hendon & Slate, PC
Certified Public Accountants
Business Consultants

Grand Rapids
2025 East Beltline SE
Suite 208
Grand Rapids, MI 49546
Phone (616) 954-3995
Fax (616) 954-3990

Muskegon
4985 South Harvey Street
Muskegon, MI 49444
Phone (231) 798-1040
Fax (231) 798-8409

Fremont
711 West Main Street
Fremont, MI 49412
Phone (231) 924-6890
Fax (231) 924-4088
Toll Free (800) 924-6891

Montague
4538 Dowling Street
Montague, MI 49437
Phone (231) 893-6772

Hart
1550 N. Industrial Park Drive
Hart, MI 49420
Phone (231) 873-5611
Fax (231) 873-7033

www.hscompanies.com

August 15, 2007

Garfield Township
Newaygo County, MI

Dear Board Members :

We would like to thank you for the opportunity to provide our auditing services. It was again a pleasure working with the members of Garfield Township during the audit engagement.

A recent change in auditing standards (SAS 112 – *Communicating Internal Control Related Matters Identified in an Audit*) now requires that we provide a new letter, which we have included, that focuses on the internal controls over financial reporting.

In addition to the letter referenced above, we also reviewed the Township's accounting procedures as of and for the year ended March 31, 2007, and offer the following comments and recommendations:

Books and Records

Overall, the books and records for Garfield Township were in very good condition. The clerk and treasurer should be commended for their efforts. We do note however, that the fire fund is not being accounted for correctly at this time.

Prior Recommendations

Payroll - We were pleased to see that the Township implemented last year's recommendation and the issues related to the posting of payroll expenditures appear to have been corrected.

Proper Documentation of Transactions – We are also happy to note that during our procedures we did not come across any undocumented transactions and invoices were attached to check copies as previously recommended.

Budgeting – We again note that the Township's budget does not include all required items. Section 15 of the Uniform Budgeting Act provides that the recommended budget for the general fund and special revenue funds must include the following for each fund:

- actual expenditures for the most recently completed fiscal year;
- estimated expenditures for the current fiscal year (to be arrived at by using actual expenditures to date and estimating expenditures to the end of the fiscal year);
- an estimate of the expenditures in the next fiscal year;
- actual revenue for the most recently completed fiscal year;
- estimated revenue for the current fiscal year (to be arrived at by using actual revenue to date and estimating revenue to the end of the fiscal year);
- an estimate of the revenue in the next fiscal year;
- beginning and ending fund balance for each year;
- an estimate of the amounts needed for deficiency, contingent, or emergency purposes;
- Other data relating to fiscal conditions that the chief administrative officer considers being useful in considering the financial needs of the local unit.

Current Recommendations

Fire Fund – Currently, the Township is not maintaining a separate Fire Fund. In the past Hendon and Slate had recorded the necessary transactions and adjustments for this fund during the audit. However, it is the Township's responsibility to document and record the activities of this fund separately. It was determined through the audit that the general fund owes the fire fund \$908.98 as of March 31, 2007. Also, the \$2,119.94 of fire fund delinquent taxes that was paid to the general fund on June 1, 2007 needs to be accounted for as fire fund cash. These amounts should be paid to the fire fund as soon as possible

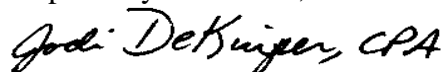
Although a separate bank account does not need to be opened to account for these funds, the cash balances of each fund must be maintained by the clerk. Often townships find it easier to have separate accounts as Garfield Township does for the road and weed funds.

Cash – We did note that the cash balances listed for each fund on the bank statement do not agree with those maintained by the clerk and treasurer. As the clerk and treasurer records agree on the balances for each fund, we suggest that the board consider transferring funds from the general fund to the road fund at the bank in order for the bank statement to reconcile with the Township records.

Policies – We recommend that the Township Board review the current policies in place and up-date any as necessary. We are enclosing some sample policies which were obtained from the Michigan Township Association web-site.

Thank you for the courtesy extended to us during the audit. We look forward to a continued relationship with Garfield Township. If you have any questions regarding the audit report, these letters, or any other communications, please do not hesitate to call.

Respectfully submitted,



Jodi A. DeKuiper, CPA
Hendon & Slate, P.C.
Certified Public Accountants

H&S Companies

Hendon & Slate, PC
Certified Public Accountants
Business Consultants

August 15, 2007

Board Members
Garfield Township
Newaygo County, MI

Dear Board Members:

In planning and performing our audit of the financial statements of Garfield Township as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Garfield Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

Anti-Fraud Program

The Township has not adopted an Anti-Fraud Program as required by SAS 99 (sample enclosed).

Grand Rapids
2025 East Beltline SE
Suite 208
Grand Rapids, MI 49546
Phone (616) 954-3995
Fax (616) 954-3990

Muskegon
4985 South Harvey Street
Muskegon, MI 49444
Phone (231) 798-1040
Fax (231) 798-8409

Fremont
711 West Main Street
Fremont, MI 49412
Phone (231) 924-6890
Fax (231) 924-4088
Toll Free (800) 924-6891

Montague
4538 Dowling Street
Montague, MI 49437
Phone (231) 893-6772

Hart
1550 N. Industrial Park Drive
Hart, MI 49420
Phone (231) 873-5611
Fax (231) 873-7033

www.hscompanies.com

Controls over Non-Routine and Non-Systematic Transactions

The Township does not have controls in place whereby adjusting journal entries are reviewed by individuals independent of the person initiating the transactions.

Controls over Financial Statement Preparation

The Township currently does not have personnel available with sufficient expertise to select and apply the accounting principles necessary to prepare the financial statements and note disclosures contained in the audit report.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses:

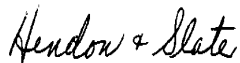
Controls over Financial Statement Preparation

Garfield Township's internal controls would not prevent or detect a material misstatement in the financial statements.

This communication is intended solely for the information and use of management, and the board of director's of Garfield Township and others within the department , and is not intended to be and should not be used by anyone other than these specified parties.

Thank you for the courtesy extended to us during the audit. We look forward to a continued relationship with Garfield Township. If you have any questions regarding the audit report, this letter or any other communication s, please do not hesitate to call.

Respectfully submitted,

A handwritten signature in cursive script that reads "Hendon & Slate".

Hendon & Slate, P.C.
Fremont, MI
August 15, 2007